Communications Workers of America
AFL-CIO, CLC

501 Third Street, N.W.
Washington, D.C. 20001-2797
202/434-1100 Fax 202/434-1279

RECEIVED
AUG. 2 1 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

LATE FILED

August 21, 1998

RECEIVED
AUG 2 1 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

RE: Ex Parte Notice
CC Docket No. 97-211 (Applications of WorldCom and MCI for Transfer of Control of MCI to WorldCom)

Dear Ms. Salas:

On August 20, 1998, George Kohl, Senior Executive Director of Research and Development, and Debbie Goldman, Research Economist met with Kathryn Brown, Chief, Common Carrier Bureau, Donald Stockdale, Deputy Bureau Chief, and Michelle Carey to discuss CWA's concerns about the proposed merger between WorldCom and MCI. The discussion focused on the impact of the merger on employment and the residential market in the local exchange.

I include two attachments that were referenced in the meeting. The first is a letter that provides Commission precedent for consideration of the impact of a merger on telecommunications employees. (This letter was previously filed as an attachment to our Aug. 13, 1998 ex parte notice.) The second attachment documents the announced synergy savings that are due to corporate overhead and access charge reductions.

In accordance to the Commission's rules, I submit two copies of this notice and the attachments.

Sincerely,

Debbie Goldman

Debbie Goldman, Research Economist
Research and Development Department

cc: Kathryn Brown
Donald Stockdale
Michelle Carey

Communications Workers of America
AFL-CIO, CLC

501 Third Street, N.W.
Washington, D.C. 20001-2797
202/434-1100 Fax 202/434-1279

June 16, 1998

Mr. James Casserly
Senior Legal Assistant
Office of Commissioner Susan Ness
FCC
1919 M Street N.W.
Washington, D.C. 20054

Dear Jim:

There is Commission precedent for consideration of the impact of a change in corporate structure on employees.

1. Western Union Divestment, 30 FCC 323 (1961)

   "What are the exact plans and proposals of the entities which will own, control, or operate the cable system with respect to the persons presently employed in conducting the international telegraph operations of Western Union, including such matters as job security, and pension equities, as well as the continuity and funding of pension equities?" (p 300)

   "First, we wish to state that we recognize that the interest of the employees of a common carrier is a factor to be considered in our evaluation of the public interest. We will assume for the purposes of the decision herein that, as urged by ACA, we have the right and indeed the duty to make adequate provision for the protection of employees affected by the proposed divestment." (p 367)

2. ITT World Communications acquisition of Press Wireless, 1 FCC 2d 213 (1965)

   Commission required: "(a) that upon transfer of control of Press Wireless, Inc., ITT World Communications, Inc. shall adopt the provisions for the protection of all employees involved as set forth in appendix A hereto;" (p 222)

   Appendix A sets forth in considerable detail various employee protection provisions governing continuity of employment, severance payment, retirement rights, relocation costs and similar privileges.

3. Computer II, 77 FCC 2^{nd} 384 (1979) and 84 FCC 2d 50, 109, 1980.

> "...it is important that the transition be accomplished in a manner which will not disadvantage the affected carriers, their shareholders and their employees." (p 488)
>
> Commission expressed expectation that AT&T would "make every effort to accommodate the impact of the Final Decision on its employees in terms of wage structures, benefits, pension rights, and seniority and collective bargaining rights within the prescribed period."
>
> Commission preferred to rely on a "cooperative approach" among the parties. It did reiterate that it was "important" that the transition be accomplished in a manner with would not disadvantage the affected carriers, their employees or their shareholders. It stated that the "burdens" in working out the transition must be borne "in the largest measure by the carriers." (p 109)

Enclosed also is an interesting article on telecom mergers.

Sincerely,

Debbie

Debbie Goldman, Research Economist
Research and Development Department

Enclosure

Overhead and Access Charges Represent $1.65 Billion in Cost Synergies in MCI-WorldCom Merger. They are not "consumer benefit" synergy savings.

CWA analysis of MCI and WorldCom merger financial documents shows that 30 percent of the projected efficiency savings that MCI and WorldCom project will result from the merger are due to either cuts in overhead or access charge bypass. According to Department of Justice merger guidelines, this portion of efficiency savings cannot be included as a consumer benefit that would result from the merger.

The calculation is as follows:

	1999	2000
Access Charge ($ million)	$250	$1,000[1]
Overhead Expense ($ million)	$500	$650[2]
Total ($ million)	$700	$1,650
Operating Expense Savings Synergy ($ million)	$2,500	$5,600
Percentage of Operating Synergy with no public benefit	**30%**	**30%**

[1] MCI WorldCom Analyst Conference Call Merger Announcement, Nov. 10, 1997, 7.

[2] MCI-WorldCom project $900 million to $1 billion in SG&A savings in 1999 and $1.3 billion in 2002. MCI-WorldCom project between $400-$500 million – or 50% of total SG&A savings – from decreases in combined corporate overhead expenses. Therefore reductions in corporate overhead are projected at $500 million (.5 x $1 billion) in 1999 and $650 million (.5 x $1.3 billion) in 2002.